

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01
CIAE-00 COME-00 EPG-02 DODE-00 EB-07 FPC-01 H-01
INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04
USIA-06 OES-07 SP-02 SS-15 STR-04 TRSE-00 ACDA-07
PA-01 PRS-01 MCT-01 LAB-04 SIL-01 /108 W
-----032212Z 060946 /12

R 032017Z JUN 77
FM AMEMBASSY CARACAS
TO SECSTATE WASHDC 7883
INFO AMEMBASSY BOGOTA
USCINCLANT NORFOLK VA
USCINCSO QUARRY HEIGHTS

C O N F I D E N T I A L SECTION 1 OF 2 CARACAS 5567

E.O. 11652: GDS
TAGS: ENRG, EINV, ELAB, PINT, PINS, PGOV, VE, CO
SUBJECT: THIS WEEK IN VENEZUELA

REF: CARACAS 5352

SUMMARY. OIL SERVICE CONTRACTS UNDER ATTACK. LUIS PINERUA ORDAZ AND JAIME LUSINCHI OFFICIALLY TO FACE OFF IN AD PRIMARY NEXT MONTH. WEALTHY KIDNAP VICTIM FOUND DEAD IN COLOMBIA. OPPOSITION COPEI PARTY WINS STEELWORKERS ELECTION. MUNICIPAL ELECTIONS MAY BE HELD SEPARATELY FROM NATIONAL ELECTIONS. END SUMMARY.

1. OIL SERVICE CONTRACTS UNDER ATTACK. A GROUP OF LEFTIST PROFESSORS AND POLITICIANS HAVE MOUNTED A WIDESPREAD ATTACK ON THE TECHNICAL SERVICE CONTRACTS SIGNED BY PETROLEOS DE VENEZUELA WITH THE FORMER OIL CONCESSIONAIRES AT THE TIME OF NATIONALIZATION. CALLING FOR INVESTIGATIONS BY CONGRESS AND THE FISCAL GENERAL, THEY CHARGE THAT THE CONTRACTS ARE UNNECESSARY, POSSIBLY ILLEGAL, REPRESENT
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ADDITIONAL COMPENSATION TO THE COMPANIES, AND THAT LITTLE OR NO USEFUL SERVICES ARE BEING PROVIDED. THE DETAILS OF THESE CONTRACTS HAVE NEVER BEEN MADE PUBLIC. THE FISCAL GENERAL HAS STATED PUBLICLY THAT HE WILL STUDY THESE CHARGES.

COMMENT: GOV OFFICIALS HAVE ALREADY BEGUN TO DENY THESE

CHARGES, BUT WE HAVE BEEN TOLD BY AN OFFICIAL OF PETROLEOS THAT SOME OF THESE CONTRACTS WILL BE DIFFICULT TO DEFEND BECAUSE FEW SERVICES ARE BEING PROVIDED RELATIVE TO THE FIXED FEES BEING PAID. THIS IS NOT, HOWEVER, TRUE OF THE MORE IMPORTANT OF THESE CONTRACTS SINCE COMPANIES SUCH AS EXXON, SHELL AND GULF HAVE ACTIVELY PROMOTED THE USE OF THEIR SERVICES. PETROLEOS BELIEVES THE COMPLAINANTS HAVE OBTAINED COPIES OF ALL THE SERVICE CONTRACTS, AND POSSIBLY THE EXPORT SALES OR OFFTAKE CONTRACTS AS WELL, AND SUGGEST THAT SOMEONE IN THE MINISTRY OF ENERGY AND MINES MAY HAVE BEEN THE SOURCE. IN ADDITION TO CAUSING EMBARRASSMENT FOR ALL CONCERNED, THE LEFTISTS APPARENTLY HOPE TO PREVENT THE RENEWAL OR FORCE THE RENEGOTIATION OF THESE CONTRACTS, MANY OF WHICH WILL EXPIRE AT THE END OF 1977.

2. LUIS PINERUA ORDAZ AND JAIME LUSINCHI OFFICIALLY TO FACE OFF IN AD PRIMARY. THE NATIONAL EXECUTIVE COMMITTEE (CEN) OF THE RULING ACCION DEMOCRATICA (AD) PARTY OFFICIALLY ACCEPTED MAY 31 THE NOMINATING PAPERS OF AD SECRETARY GENERAL LUIS PINERUA ORDAZ AND AD CONGRESSIONAL LEADER JAIME LUSINCHI AS CANDIDATES IN THE PARTY'S INTERNAL PRIMARY NEXT MONTH. PINERUA'S GRIP ON THE PARTY MACHINE WAS UNDERSCORED BY THE FACT THAT 127 MEMBERS OF AD'S NATIONAL DIRECTIVE COMMITTEE (OUT OF APPROXIMATELY 175) SUPPORTED HIS NOMINATION. ALTHOUGH FORMER PRESIDENT BETANCOURT DID NOT PUBLICLY TAKE SIDES, HIS PERSONAL PREFERENCE WAS SIGNALLED BY HIS WIFE'S SUPPORT OF PINERUA. LUSINCHI'S NOMINATION WAS BACKED BY FEWER PARTY LEADERS BUT THE PORTLY PARLIAMENTARY LEADER DEMONSTRATED HIS CLAIM TO GRASS ROOTS' CONFIDENTIAL

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SUPPORT BY STAGING A STREEET RALLY OF RANK-AND-FILE PARTY MEMBERS OUTSIDE AD HEADQUARTERS. THE FINAL MONTH OF THE CAMPAIGN LEADING UP TO THE JULY 17 PARTY PRIMARY IS EXPECTED TO BE ONE OF INTENSE POLITICAL ACTIVITY ON THE PART OF THE TWO CANDIDATES AND THEIR SUPPORTERS.

3. WEALTHY KIDNAP VICTIM FOUND DEAD. WEALTHY ZULIA CATTLE-MAN NELSON MACHADO LUGO, WHO WAS KIDNAPPED MARCH 23 NEAR THE VENEZUELAN-COLOMBIAN FRONTIER WAS FOUND DEAD BY COLOMBIAN POLICE SEVERAL MILES INSIDE THE COLOMBIAN BORDER. A FIVE-MEMBER GANG OF COLOMBIANS HAS BEEN ARRESTED BY COLOMBIAN POLICE AND CHARGED WITH MACHADO'S MURDER. FROM THE BEGINNING OF THE CASE THE GOV REFUSED TO PERMIT MACHADO'S FATHER, BANKER LUIS RODOLFO MACHADO, TO PAY THE BS. 15 MILLION RANSOM SOUGHT BY THE KIDNAPPERS. ACCORDING TO THE VENEZUELAN POLICE, MACHADO WAS SHOT BY HIS CAPTORS 20 DAYS AFTER HIS ABDUCTION AND HIS BODY BURIED IN THE ISOLATED BORDER ZONE. THE ALLEGED LEADER OF THE KIDNAP GANG REPORTEDLY COMMITTED SUICIDE MAY 31 IN HIS CELL IN BUCARAMANGA, COLOMBIA. THE

GOV'S FAILURE TO SECURE MACHADO'S RELEASE COMES AFTER THREE MONTHS' OF INTENSE POLICE ACTIVITY ALONG THE FRONTIER WHICH WAS IN PART DESIGNED TO REASSURE OTHER RANCHERS IN THE AREA, THE LOCALE OF THREE OTHER ATTEMPTED KIDNAPPINGS IN THE PAST YEAR. LUIS RODOLFO MACHADO WAS, FURTHERMORE, A MAJOR CONTRIBUTOR TO PRESIDENT PEREZ' 1973 CAMPAIGN. AS AN OUTGROWTH OF THE MACHADO KIDNAPPING THE VENEZUELAN AND COLOMBIAN POLICE HAVE REPORTEDLY WORKED OUT AN ARRANGEMENT FOR MORE EFFECTIVE BILATERAL COOPERATION IN THE EVENT OF SUBSEQUENT KIDNAPPINGS.

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R 032017Z JUN 77
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USCINCLANT NORFOLK VA
USCINCSO QUARRY HEIGHTS

C O N F I D E N T I A L SECTION 2 OF 2 CARACAS 5567
4. STEELWORKERS VOTE COPEI, MIR OUTPOLLS AD. OVER 9,000
OF NEARLY 12,000 WORKERS AT THE SIDOR STEEL MILL IN CIUDAD
GUYANA VOTED ON MAY 26 TO ELECT NEW LEADERSHIP FOR THEIR REORGANIZED
UNION. SEVEN OF THE NINE SLATES SECURED SEATS ON THE 11
MEMBER EXECUTIVE COUNCIL WITH THE FOLLOWING PERCENTAGES OF
THE VOTE:

COPEI-30 PERCENT (A BIG VICTORY, COPEI NOW CONTROLS
THE TWO LARGEST UNIONS IN CIUDAD GUAYANA.)

MIR-20 PERCENT (A STRONG, STRONG SHOWING; PARTICULARLY
WHEN ADDED TO A STRING OF 1976 SUCCESSES, GIVES
MARXIST-LENINIST MIR A STRONG CLAIM TO REPRESENT
THE FAR-LEFT.)

AD-18 PERCENT (A HUMILIATION, AD GOT A SMALL PLURALITY

IN THE 1974 ELECTION.)

PCV-8 PERCENT (NOT BAD BUT NO THREAT.)

ANARCHISTS-8 PERCENT (THE BLACK FLAG HAS ADHERENTS IN
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CIUDAD GUAYANA.)

MAS-6 PERCENT (A HUMILITATION, A REAL SET BACK IN A
REGION WHERE THESE EX-MOSCOW LINERS HAVE WORKED
HARD, A BIG DECLINE FROM THEIR SHOWING IN
THE IRON MINERS' ELECTION 18 MONTHS AGO.)

MORENA-6 PERCENT (ECSTATIC, THE FIRST WIN FOR THE URD
BREAKAWAY GROUP.)

COMMENT: TOO MUCH SHOULD NOT BE READ INTO A TRADE UNION
ELECTION. PERSONALITIES ARE OFTEN AS IMPORTANT AS IDEOLOGY
EVEN IN A RELATIVELY LARGE UNIT LIKE THE SIDOR STEEL MILL.
THE SPLIT BETWEEN DEMOCRATIC (6) AND LEFTIST (5) FORCES ON
THE EXECUTIVE COUNCIL OF THE UNION IS REMARKABLY SIMILAR TO
THE RESULTS OF THE IRON MINERS UNION ELECTION HELD EIGHTEEN
MONTHS AGO (DEMOCRATIC 5, LEFTIST 4). CIUDAD GUAYANA REMAINS
ONE OF THE MOST VOLATILE REGIONS IN THE NATION AND ONE OF THE
PRINCIPAL CENTERS OF LEFTIST STRENGTH. AD'S DEFEAT IS
RELATIVELY SERIOUS FOR THAT PARTY-IT COULD ALSO REFLECT
WORKER ATTITUDES TOWARD HAVING THE UNION AND MANAGEMENT
CONTROLLED BY THE SAME POLITICAL PARTY (THE SIDOR STEEL
MILL IS OWNED BY THE GOV).

5. MUNICIPAL ELECTIONS MAY BE HELD SEPARATELY FROM NATIONAL
ELECTIONS. THE EMBASSY HAS LEARNED FROM A WELL-INFORMED
ELECTION OFFICIAL THAT BOTH MAJOR PARTIES HAVE AGREED IN
PRINCIPLE TO CHANGE THE ORGANIC LAW OF MUNICIPALITIES TO
REQUIRE THAT ELECTIONS FOR CITY OFFICIALS TO BE HELD AT A
DIFFERENT TIME FROM THE NATIONAL ELECTIONS. IT IS EXPECTED
THAT THE ELECTION LAW WILL BE CHANGED DURING THE 1977
CONGRESSIONAL SESSION. THE QUESTION OF WHETHER SUCH OFFICIALS
SHOULD CONTINUE TO RUN ON PARTY SLATES, OR AS INDIVIDUALS,
HOWEVER, HAS NOT YET BEEN DECIDED.

COMMENT: THIS CHANGE COMES IN THE WAKE OF A CHORUS OF
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CRITICISM ABOUT MISMANAGEMENT AND CORRUPTION AT THE CITY

COUNCIL LEVEL IN VARIOUS MUNICIPALITIES. UNDERSCORING THIS THEME, EX-PRESIDENT ROMULO BETANCOURT OPENLY PREDICTED MAY 19 THAT AD WOULD NOT ONLY SUPPORT, BUT USE ITS CONGRESSIONAL MAJORITY IF NECESSARY TO REFORM THE LAW SO THAT PRESIDENTIAL ELECTIONS ARE HELD AT A DIFFERENT TIME FROM CONGRESSIONAL AND MUNICIPAL ELECTIONS. UNDER THE PRESENT SYSTEM, CITY OFFICIALS ARE ELECTED BY PARTY LATE AT THE TIME OF THE NATIONAL ELECTIONS. LOCAL ISSUES AND THE MUNICIPAL CANDIDATES' IDENTITY AND PROGRAMS THEREFORE TEND TO BE BURIED IN THE FANFARE OF THE PRESIDENTIAL CAMPAIGN. IT REMAINS DOUBTFUL WHETHER THE MAJOR PARTIES WILL, HOWEVER, DROP THE ENSHRINED TRADITION OF VOTING BY PARTY SLATE.

6. OTHER REPORTING THIS WEEK INCLUDED: EX-PRESIDENT BETANCOURT ASSUMES MORE ACTIVE POLITICAL STANCE (CARACAS A-69), POSSIBLE DEPORTATION OF BRAZINSKAS TO VENEZUELA (CARACAS 5389), PEREZ STATE VISIT: BILATERAL VISA AGREEMENT (CARACAS 5425), EXTRADITION: CARLO BORDONI (CARACAS 5472), BILATERAL MEETINGS IN GUATEMALA (CARACAS 5351), OCCIDENTIAL PETROLEUM PRESENTS FORMAL COMPENSATION CLAIM TO SUPREME COURT (CARACAS 5357), RAILROAD DEVELOPMENT SEMINAR (CARACAS 5409), AND ILLEGAL PAYMENTS: ALLEGED PAYOFFS BY PULLMAN KELLOGG (CARACAS 5479).
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Message Attributes

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Disposition Approved on Date:
Disposition Case Number: n/a
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Disposition Date: 22 May 2009
Disposition Event:
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